

Procedure No. 5-06F

AUDIT EVIDENCE GUIDELINES

Evidence obtained by the auditor should meet the basic tests of sufficiency, relevance, and competence. In addition, the information resulting from audit evidence should be useful. The working papers should reflect the details of the evidence and disclose how it was obtained.

Definitions

Sufficiency -- Sufficiency is the presence of enough factual and convincing evidence to support the auditors' findings, conclusions, and recommendations. Determining the sufficiency of evidence requires judgment; however, a prudent, informed person should be able to reach the same conclusions as the auditor. When appropriate, statistical methods may be used to establish sufficiency.

Relevance -- Relevance refers to the relationship of evidence to its use that is consistent with the audit objectives. The information used to prove or disprove an issue is relevant if it has a logical, sensible relationship to that issue. Information that does not is irrelevant and therefore should not be included as evidence to support audit findings and recommendations.

Competence -- To be competent, evidence should be valid and reliable. In evaluating the competence of evidence, the auditors should carefully consider whether reasons exist to doubt its validity or completeness. If so, the auditors should obtain additional evidence or disclose the situation in the audit report.

Usefulness -- Useful information helps the audit staff meet its audit objectives.

Categories of Audit Evidence

Audit Evidence is categorized as follows: physical; documentary, testimonial; and analytical.

1. **Physical evidence** -- Physical evidence is obtained by direct inspection or observation of (a) activities of people, (b) property, or (c) events. Such evidence may be documented in the form of:
 - a. Memoranda summarizing the matters inspected or observed;
 - b. Photographs;
 - c. Charts;
 - d. Maps; and
 - e. Actual samples.
2. **Documentary evidence** -- Documentary evidence consists of created information. The documents, forms, journals or reports may originate within the auditee organization or may come from an external source. Examples are:
 - a. Letters;
 - b. Contracts;
 - c. Laws;
 - d. Regulations;
 - e. Procedures;
 - f. Budget information;
 - g. Accounting records; and
 - h. Management Information on Performance.

Procedure No. 5-06F -- AUDIT EVIDENCE, continued

3. **Testimonial evidence** -- Testimonial evidence is obtained from others through statements received in response to inquiries or through interviews. Statements important to the audit should be corroborated when possible with additional evidence. Testimonial evidence also needs to be evaluated from the standpoint of whether the individual may be biased or only have partial knowledge about the area.
4. **Analytical evidence** -- Analytical evidence is the result of analysis and verification. Some of the techniques used to produce analytical evidence are:
 - a. computations;
 - b. comparisons;
 - c. reasoning; and
 - d. separation of information into components.